

**MASSACHUSETTS PORT AUTHORITY EMPLOYEES'
RETIREMENT SYSTEM**

**NOTICE OF REQUEST FOR PROPOSALS FOR
INVESTMENT CONSULTANT SERVICES**

TO: Interested Bidders

FROM: Irene Moran, Director of Retirement

DATE: September 9, 2009

SUBJECT: *Request for Proposals for Investment Consultant Services*

The Massachusetts Port Authority Employees' Retirement Board (the "Board") is seeking proposals pursuant to its Request for Proposals for Investment Consultant Services dated September 9, 2009 (the "RFP") from qualified investment consultants to advise the Board with regard to the management of the retirement system's funds. The RFP can be accessed online at: http://www.massport.com/about/retir_reque.html . The current schedule of events, subject to amendment by the Board is as follows:

EVENT		DATE
1.	RFP issued	9/09/09
2.	Question deadline	4:00 p.m. 9/25/09
3.	Submission deadline for RFP Response from bidders	4:00 p.m. 10/16/09
4.	Oral presentations by finalists	11/18/09
5.	Selection/notification to bidders (estimated)	12/04/09
6.	Effective date of contract	1/01/10

**MASSACHUSETTS PORT AUTHORITY EMPLOYEES'
RETIREMENT SYSTEM**

INVESTMENT CONSULTING SERVICES

REQUEST FOR PROPOSAL

**Director of Retirement
Massachusetts Port Authority
Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, Massachusetts 02128-2909**

September 9, 2009

MASSACHUSETTS PORT AUTHORITY EMPLOYEES' RETIREMENT SYSTEM

REQUEST FOR PROPOSALS

INVESTMENT CONSULTING SERVICES

1. Introduction

The Retirement Board (the "Board") of the Massachusetts Port Authority Employees' Retirement System ("MPAERS" or the "System") is seeking proposals from qualified investment consultants to advise the Board with regard to the management of the System's pension funds. The intent of this Request for Proposals ("RFP") is to identify and select a firm to provide the full range of investment consulting services as more fully described in the SCOPE OF SERVICES set forth in Section 3 to assist the Board to meet its objectives of managing the funds of the System in accordance with sound investment management policies, practices and procedures and in compliance with Massachusetts General Laws, Chapter 32, the Investment Regulations of the Massachusetts Public Employee Retirement Administration Commission ("PERAC"), 840 CMR, and all other applicable federal and state laws and regulations.

Competitive sealed proposals are invited in accordance with PERAC's regulations.

2. Background Information

The MPAERS is a contributory defined benefit retirement plan established in accordance with Chapter 32 of the Massachusetts General Laws. Under Section 23 of Chapter 32, the Board of the MPAERS has general supervision of the investment and reinvestment of the funds of the System created pursuant to Chapter 32, Section 22 of such laws. The Board is comprised of Mr. James Costello, (Chairman), Mr. Philip Mallett, Mr. David Davis, Mr. Michael Grieco, and Mr. John Prankevicius (Treasurer-Custodian). Ms. Irene Moran is the Director of Retirement.

Presently, the System has funds approximating \$333 million managed by six separate managers responsible for various asset classes. A copy of the System's most recent portfolio summary is attached hereto as Attachment 1. A copy of the Board's current Investment Policy and Guidelines is attached hereto as Attachment 2. State Street Bank and Trust Company serves as the custodian of the System's funds. The Board's actuary is Stone Consulting, Inc.

The Massachusetts Public Employee Retirement Administration Commission ("PERAC") regulates the investment decisions made by the Board and all other Chapter 32 pension fund trustees. PERAC's statutory responsibilities include approving the scope of investment authority of each retirement board governed by Chapter 32, conducting audits of the systems and their investment activity, and reviewing statutory compliance.

PERAC's Investment Regulations are set forth in Part 840 of the Code of Massachusetts Regulations (840 CMR) and the regulations applicable to Consultants are set forth in 840 CMR 26.00 *et seq.* These regulations can be accessed on-line at: <http://www.mass.gov/perac/regulations.htm>. Among other things, PERAC requires that each consultant employed by a Board be a registered Investment Advisor pursuant to Federal Law. Three required PERAC forms, (1) Vendor Certification; (2) Disclosure Statement; and (3) Application for Consultants are referred to in the hyperlinks of this page and must be completed and included in the proposal.

<http://www.mass.gov/perac/forms/0803vendorcertificationform.pdf>

<http://www.mass.gov/perac/forms/0803disclosurestatementconsultants.pdf>

<http://www.mass.gov/perac/forms/0803applicationforconsultants.pdf>

3. Scope of Services

The consultant shall provide the following services under the general direction of the Board and the System Staff:

- 3.1. **General Investment Policy and Procedures.** At the outset of the engagement and annually thereafter, review the Board's Investment Policies and Procedures and, if necessary, make reasoned recommendations for amendments thereto to the Board.
- 3.2. **Asset Allocation Plan.** At least once during the three year term of the Contract, prepare and present to the Board a written plan establishing investment objectives and target asset mix (the "Asset Allocation Plan"). The Asset Allocation Plan shall take into account the assets and liabilities of the System based on the System's most recent actuarial analysis. The Asset Allocation Plan shall, at a minimum, include (a) a report on asset allocation modeling (including methodology and specifics) linked to funding and liability management; (b) an analysis of the investment characteristics of available asset alternatives; (c) recommendations for modifications to the Board's statement of investment policy; and (d) recommendations for an optimum asset allocation for the Fund based upon all of the foregoing, including a methodology (and time table) for achieving such asset allocation.
- 3.3. **Specific Requests for Policy Analysis.** As requested by the Board, but no more than quarterly, review and analyze investment policies and objectives proposed by the Board, staff, investment managers, or specialty consultants to ensure overall consistency of the Board's investment policies.
- 3.4. **Planning.** During the fall of each year, prepare and present to the Board a report containing (a) an evaluation of the effectiveness of the current portfolio and investment manager structure (including evaluations of the current investment managers); (b) a review of the fund's needs for particular investment styles,

capitalization ranges or strategies within the portfolio (e.g. growth/core/value; small/mid/large capitalization; government/corporate/mortgage; and passive/risk controlled/active); and (c) an analysis of the current fee structure.

- 3.5. ***Performance Analysis.*** On a monthly and quarterly basis provide performance analysis, including performance of individual allocated portfolios (domestic equity, fixed income, international equity, etc.), as well as the aggregate of all of the asset classes. The monthly analysis should include an analysis of returns, comparison to applicable indices and such other matters as the Board shall request. The quarterly performance analysis should include matters covered in the monthly analysis plus more detailed return attribution characteristics, style analysis, risk analysis, peer/universe comparison, trading efficiency and compliance violation reports.
- 3.6. ***Comprehensive Annual Financial Report (CAFR) Submission.*** By no later than the end of the first quarter of each calendar year, provide to the board reporting and analysis for the investment section of the MPAERS' CAFR. The consultant is required to complete the investment section reporting in its entirety in the format and following reporting requirements as defined by the GFOA (Government Financial Officers Association) to meet eligibility requirements for a Certificate of Achievement for Excellence in Financial Reporting submission. Please see <http://www.gfoa.org> for more details.
- 3.7. ***Manager Oversight.***
 - 3.7.1. For each of the fund's managers, provide quarterly performance analysis, including performance evaluation against the appropriate benchmarks and investment objectives, as well as return attribution characteristics, style analysis and risk analysis.
 - 3.7.2. Provide analysis and advice on questions or issues that arise in the course of overseeing the managers. For example, advise the Board on appropriate benchmarks; calculate custom benchmarks, if necessary; and advise on investment guidelines or fee structures, including performance-based fees.
 - 3.7.3. Upon request of the Board, provide advice and recommendations concerning manager probation and termination.
 - 3.7.4. Provide annual analysis of managers' trading costs, including comparison of each manager's commission costs to its peers and the marketplace; the relationship of each manager's commission costs to the quality of "execution" obtained; and the utilization of the System's commission dollars for purposes other than "execution," such as the direct or indirect purchase of services or research. A quarterly report containing commission costs paid by trade will be made available to the consultant by the Board's custodian.

- 3.8. ***Manager Search and Selection.*** Provide analysis, and assist in the hiring of outside investment managers, including:
- 3.8.1. Provide access to a database of investment managers, including their philosophies, organizations, performance and clients. Manager information should be available for a wide range of investment managers including domestic, international and emerging market equity managers; domestic, international and global fixed income managers; as well as small and emerging and minority/woman/disabled veteran owned managers.
- 3.8.2. Conduct searches for managers as required, including but not limited to (i) development of requests for proposals, including evaluation factors and methods; (ii) screening of prospective managers and recommendation of finalists; (iii) preparation of background material for the Board or any search committee formed by the Board; (iv) participation in the interviewing of managers; (v) providing reasoned analysis concerning manager selection to the Board or any search committee formed by the Board; (vi) recommendations concerning selection of manager; (vii) preparation and maintenance of documentation of the process; and (viii) design and implementation of any other procedures required to comply with PERAC regulations with regard to a "competitive" process.
- 3.8.3. Perform appropriate due diligence with regard to newly hired managers.
- 3.9. ***Attendance at Board Quarterly Investment Review Meetings.*** Attend quarterly investment review meetings of the Board at its offices. At such meetings, the Consultant will be expected to prepare the agenda for and advise the Chair with regard to the conduct of the investment review portion of the meeting. In addition to the quarterly investment review meetings, the Board may also request the consultant's attendance at other monthly retirement board meetings on an as needed basis.
- 3.10. ***General Research and Analysis.*** Upon request of the Board or staff, provide ongoing research, analysis and advice on specific investment issues. In addition, the consultant will be asked to perform such other duties or activities as may be required provided they are consistent with the foregoing.
- 4. Type of Contract.** The Board will enter into a three-year consulting agreement having an option on behalf of the MPAERS to renew for an additional two year term. The contract will include the provisions attached to this RFP as Attachment 3 (the "Contract"), which provides that, among other things, a consultant to the Board shall act as a fiduciary with respect to the System's assets. Each firm responding to this RFP shall be required to state under the Warranties, set forth in Section 12 hereof that it will agree to and execute a contract containing the provisions set forth in Attachment 3 except as specifically provided otherwise in the response.

5. Specifications of the RFP

- 5.1. **Response Deadline:** Proposals must be received by the Massachusetts Port Authority Employees' Retirement System **prior to 4:00 P.M. eastern daylight savings time on October 16, 2009** at the Board's offices. Any Proposal not meeting this deadline will not be accepted or considered. Faxed or electronic transmissions are NOT acceptable. Proposals should be directed to:

Irene Moran
Director of Retirement
Massachusetts Port Authority Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, Massachusetts 02128-2909.

NO AMENDMENTS WILL BE ACCEPTED AFTER THE CLOSING DATE AND TIME. Bidders mailing materials should allow adequate time to assure timely arrival.

The questions and/or requests made in this RFP should be duplicated in their entirety in the Proposal with each question and/or request repeated before the answer or response.

5.2. *Required Attachments and Enclosures.*

In addition to the responses to the RFP questions, the following information must be attached to the firm's response:

- 5.2.1. **Cover Letter.** The Proposal should include an original and five (5) copies (one unbound) of a cover letter, which will be considered an integral part of the Proposal, and which shall be signed by at least one individual who is authorized to bind the firm contractually. This cover letter must include: (a) the firm name, address and telephone/fax numbers; (b) the client contact; (c) the title or position which the signer of the cover letter holds in the firm; and (d) a statement to the effect that the Proposal is a firm and irrevocable offer of the firm.
- 5.2.2. **Representations and Warranties.** The Representations and Warranties contained in Section 12 hereof signed by an authorized officer of the firm, must be included as an attachment to the cover letter referenced in 5.2.1 above.
- 5.2.3. **Disclosure Statement.** Each firm submitting a Proposal must complete and submit this form as an attachment to the cover letter referenced in 5.2.1 above. The Disclosure Statement requires the disclosure of relationships between a proposing firm and finders, lobbyists or other similar entities, relating to its business in the Commonwealth. Bidders must submit four copies of the executed form. The Disclosure Statement can be accessed

online at: <http://www.mass.gov/perac/forms/0803disclosurestatementconsultants.pdf>.

- 5.2.4. ***Certification of Good Faith.*** A certification that the proposal has been submitted in good faith and without collusion or fraud with any other person (PERAC's Vendor Certification Form, as required pursuant to PERAC Regulation 840 CMR 16.08). Bidders must submit four copies of the executed form. The Vendor Certification form can be accessed online at: <http://www.mass.gov/perac/forms/0803vendorcertificationform.pdf>.
- 5.2.5. ***Consultant Application.*** PERAC's Application for Consultants, or any current revision thereof. Bidders must submit four copies of the executed form. The Consultant Application form can be accessed online at: <http://www.mass.gov/perac/forms/0803applicationforconsultants.pdf>.
- 5.2.6. ***Minimum Criteria Certification.*** The Minimum Criteria Certification set forth as Attachment 4, hereto. Bidders must submit four copies of the executed form.
- 5.2.7. ***Fee Proposal.*** The original and one (1) copy of the fee proposal must be placed in a separate, sealed envelope, clearly identified on the outside as "Fee Proposal submitted by [Company Name]".
- 5.2.8. ***Additional Materials.*** Any additional material must be submitted separate from the response.
- 5.3. ***Communications with the System or Board.*** The Board's Procurement Officer for this RFP is:

Ms. Irene Moran
Director of Retirement
Massachusetts Port Authority Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, Massachusetts 02128-2909
Telephone No. (617) 568-3951
Telecopier No. (617) 568-3957
E-Mail: imoran@massport.com

Any questions pertaining to this Request for Proposals are to be in writing and directed to the Procurement Officer. **Any such questions must be received by 4:00 P.M. on September 25, 2009.**

As of the date of this RFP, firms which intend to submit a Proposal should not contact members of the Board or any System staff other than the Procurement Officer. An exception to this rule applies to firms who currently do business with the System, such as the System's current consultant or money managers, but any contact made by such firms with persons other than the Procurement Officer should be limited to that business, and should not relate to this RFP. In addition, such firms should not discuss this RFP with

any employee of the System's custodian, outside managers, legal counsel or other advisors.

FAILURE TO OBSERVE THIS RULE IS GROUNDS FOR DISQUALIFICATION.

- 5.4. ***Form of Responses.*** Separate price and technical proposals must be submitted. Price proposals, an original and one (1) copy, must be delivered in a sealed, separate envelope marked "Fee Proposal submitted by [Company Name]". Technical proposals must be marked "Proposal For Investment Consultant Services - Technical". Bidders must submit five (5) copies of each technical proposal. ***Proposals must be directed to the procurement officer at the board's offices as set forth above. Proposals must not be submitted to board members or any other agent of the board.***
- 5.5. ***Public Record.*** In accordance with Chapter 4, Section 7(26)(h) of the Massachusetts General Laws, upon the expiration of the Proposal Deadline, all Proposals shall be deemed a public record and shall be subject to requests for public disclosure.
- 5.6. ***Withdrawal/Irrevocability of Responses.*** A proposer may withdraw and resubmit a Proposal prior to the Proposal Deadline. No withdrawals or re-submissions will be allowed after the Proposal Deadline.
- 5.7. ***Waiver/Cure of Minor Informalities, Errors and Omissions.*** The Board reserves the right to waive or permit cure for minor informalities, errors or omissions prior to the selection of finalists, and to conduct discussion with any qualified proposers and to take any other measures with respect to this RFP in any manner necessary to serve the best interest of the System and its beneficiaries.
- 5.8. ***Questions Relating to this RFP.*** All questions concerning this RFP must be received by the Procurement Officer by 4:00 P.M. on September 25, 2009 (the "Question Deadline") via e-mail to imoran@massport.com. Questions received in accordance with this section will be answered and circulated by e-mail to all firms that have proposed a question or who request a copy of the questions and responses. Questions submitted after the Question Deadline will not be considered.
- 5.9. ***Incurring Costs.*** Neither the Board nor the System will be liable for any costs incurred prior to entering into the Contract with the successful proposer or proposers.
- 5.10. ***Rejection of Proposals.*** The Board reserves the right to reject any non-qualifying Proposal, as well as the right to reject all Proposals submitted pursuant to this request for proposals.
- 5.11. ***Award Subject to Contract and Approval of PERAC.*** All bidders are hereby advised that any proposal which is selected shall be subject to (1) approval of the Board, (2) a written contract and (3) approval of the engagement by the

Massachusetts Public Employee Retirement Administration Commission. Failure to agree on mutually acceptable contract language will void the award of the proposed engagement to the selected bidder. The Board shall have sole discretion in determining whether the parties are unable to reach agreement on the language of the written contract.

- 5.12. ***Cancellation of RFP.*** The Board reserves the right to cancel this process or terminate the search at any time.

6. Selection Process.

The Selection Process under this RFP will be as follows:

- 6.1. ***Non-Qualifying Proposals.*** The Board will evaluate each Proposal to determine if it was submitted in accordance with the requirements set forth in this RFP, including whether the proposing firm meets the minimum criteria. All non-qualifying Proposals not subject to the waiver/ cure of minor information will be rejected at this time and the proposing firm so notified.
- 6.2. ***Selection of Finalists.*** The Proposals will be evaluated by a Search Committee to be formed by the Board. It is anticipated that the Search Committee shall include a member of Board as well as the staff. Proposers may be invited to a due diligence interview with the Search Committee. Based on the Selection Criteria set forth in this RFP (including the Fee Proposals), the Search Committee will select finalists for evaluation by the Board.
- 6.3. ***Selection of Consultant.*** The Search Committee shall rank the finalists and make its recommendations for selecting a consultant to the Board. The finalists selected by the Search Committee may be invited to make an oral presentation to the Board. The Board will award the Contract. The Board reserves the right to make an award without discussion of the proposals submitted and without interviews of the bidders. Therefore, the proposals should be submitted initially on the most favorable terms of both price and technical approach, which the bidder can propose to the Board. The Board also reserves the right to reject at its sole discretion any and all proposals received, whether prior to or after the bidders' interviews. Submission of a proposal does not entitle a bidder to be interviewed. The Board shall have sole discretion in deciding which bidders, if any, will be considered and/or interviewed.

7. Tentative Time Table

The following is the tentative time schedule for the Board's search for firms to provide consulting services. All dates are subject to modification by the Board with notice.

EVENT	DATE
1. RFP issued	9/09/09
2. Question deadline	4:00 p.m. 9/25/09
3. Submission deadline for RFP Response from bidders	4:00 p.m. 10/16/09

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| 4. Oral presentations by finalists | 11/18/09 |
| 5. Selection/notification to bidders (estimated) | 12/04/09 |
| 6. Effective date of contract | 1/01/10 |

8. Minimum Criteria

A proposer must meet the following minimum criteria to be given further consideration. Failure of a firm to meet the minimum criteria will result in the Proposal's immediate rejection.

- 8.1. As of September 1, 2009, the primary consultant assigned to MPAERS's account (the "Primary Consultant") must have at least five (5) years combined experience in (i) serving as Primary Consultant to public and/or private pension funds; and/or (ii) serving as chief executive officer, executive director or chief investment officer of a public or private pension fund with assets of at least \$300 million.
- 8.2. The proposing firm must provide consulting services (in some capacity) to at least one (1) **public** pension fund.
- 8.3. Since January 2006, the firm must have served as consultant in the preparation or revision of general investment policy guidelines for at least one private or public pension fund client with assets of at least \$300 million and which has allocations in both domestic and international assets.
- 8.4. The Primary Consultant assigned to the System's account must provide General Consulting Services, including investment policy and asset allocation consulting services, to at least five (5) public and/or private pension funds.
- 8.5. The firm must maintain or have access to a database of domestic and international public market managers and have at least three (3) years experience in providing performance analysis on public market portfolios for public and/or private pension fund clients.
- 8.6. The firm must be a registered investment advisor pursuant to the Investment Advisors Act of 1940 (15 U.S.C. 80b-1 et seq.).
- 8.7. The firm must meet all other criteria set forth in PERAC's Investment Regulations, 840 CMR.

9. Selection Criteria

The Board will apply the following criteria in the selection of a consultant. The Search Committee will assign a rating of either "Highly Advantageous", "Advantageous", "Acceptable", "Not Advantageous" or "Unacceptable" to all qualifying Proposals in each of the categories listed below. Any Proposal receiving a rating of "Unacceptable" in any

applicable category will not be considered further. Using these ratings as a guide, the Search Committee will select finalists to move to the next stage of the Selection Process and recommend the retention of a consultant to the Board.

The following is basic selection criteria applicable to all proposing firms:

9.1. General Experience of the Firm & Consultants.

- The firm, as measured by the quality of the organizational structure of the firm; the existence of, or potential for, significant developments in the firm; the expected financial stability of the firm during the term of the Contract; and the status of the firm as a "fiduciary".
- Experience of the consultants in providing consulting services to similar pension funds, as measured by the consultant's history of providing such services; and the similarity of a firm's clients to the MPAERS.
- Absence of organizational issues, such as litigation or regulatory investigations; and, the absence of financial problems.

9.2. Stability, Depth and Experience of Personnel.

- Experience of Primary Consultant(s) in providing consulting services to pension funds, as measured by the length of time the Primary Consultant(s) has served as either a Primary Consultant to pension funds or as executive director, chief executive officer or as chief investment officer of a pension fund; demonstrated expertise in providing such services to other pension funds; demonstrated organizational skills, and demonstrated ability to interact with both the staff and oversight body of pension fund clients.
- Experience of supporting personnel in providing consulting services as measured by the length of time dedicated support staff have provided such services to pension funds.
- Accessibility of Primary Consultant, as measured by the client ratio(s) of the Primary Consultant(s); and the home office(s) of the Primary Consultant(s).
- Depth of supporting personnel, as measured by the firm's consultant/client and personnel/client ratios; back-up procedures for providing services to the Board; and location of supporting personnel.

9.3. Client References.

- Quality of references from clients as measured by responses relating to quality of work product, ability to anticipate issues as opposed to reacting to issues; and the quality of client services.

9.4. **Proposer's Independence of Judgment and Freedom from Conflicts of Interest.**

- The extent of a firm's reliance on revenues from services which may have conflicting interests from the MPAERS, including a proposer's (or affiliate's) business activities other than consulting (e.g. money management, brokerage); the existence of contractual or other relationships between the proposer and money management and brokerage firms; and the sale of data or databases to money management firms.

9.5. **General Criteria**

- Experience of the Primary Consultant in providing general investment consulting services, as measured by the length of time the Primary Consultant has provided such services as consultants or, in the case of the Primary Consultant, as Primary Consultant or as chief executive officer, executive director or chief investment officer of a pension fund.
- Resources and knowledge of the firm and Primary Consultant with respect to the formulation of investment policies, as measured by their knowledge of the unique fiduciary issues relating to the formulation of investment policies and procedures for public pension funds; and the existence of the resources to apply that knowledge.
- Resources and knowledge of the Primary Consultant with respect to the formulation of the Asset Allocation Plan, including knowledge of the capital markets, capital market theory and practice, actuarial issues and asset allocation issues specific to well-funded public pension funds.
- Quality and usefulness of the materials provided to the Board under this RFP, including the Work Plan; and the examples of the Investment Policies and Asset Allocation Plan, Manager Oversight Review and Public Manager Search requested under Section 10 of this RFP.
- Ability and resources to provide continuing education to the System's staff and to keep the System advised of ongoing developments in the pension field.

- Resources and knowledge of the Primary Consultant including the quality and breadth of the firm's available database of Public Market Managers; the knowledge of the Primary Consultant of Public Market Portfolios and Managers, including the ability to provide oversight of the Board's managers; and the ability of the firm to support its methodology for providing consulting services in the selection of managers, including the performance of due diligence.

9.6. **Fee Proposals.**

The Fee Proposals will be opened and analyzed by the Search Committee, and will be taken into account as a factor in its selection of finalists and in its recommendations to the Board. The Search Committee will consider the relative benefits of having (1) "combined" or "separate" fees for the services to be rendered, and (2) a flat fee or an hourly fee with a cap.

The selection of a firm or firms to act as consultant to the Board will not necessarily be based on which firm submits the lowest Fee Proposal, as the Fee Proposal is only one of the Selection Criteria.

10. **Questions and Requests for Information**

The following questions and requests for information are separated according to the categories set forth under "SELECTION CRITERIA" in Section 9 of this RFP.

10.1. ***General Experience of the Firm & Consultant***

10.1.1. Please provide the following information with respect to the firm:

- (a) a brief history of the firm, including its year of organization;
- (b) the location of the firm's headquarters and branch offices; and
- (c) the ownership structure of the firm, including any parent, affiliated companies or joint ventures.

10.1.2. How many years has the firm been providing pension consulting services? To tax-exempt clients? To public pension fund clients? Please include the categories of services available to clients during this period.

10.1.3. Please describe the financial condition of your firm and include a copy of the firm's financial statement for the most recent annual reporting period.

10.1.4. Please describe any significant developments in your organization which have occurred since January 1, 2007 (changes in ownership, personnel reorganization, etc.).

- 10.1.5. Please describe any anticipated near term changes in your organization's basic ownership structure or any other significant changes in your organization.
- 10.1.6. Is your firm, its parent or affiliate a registered investment advisor with the SEC under the Investment Advisers Act of 1940? If not, what is your fiduciary classification? Please state whether your firm is or is not a fiduciary (as the term is defined by the Employee Retirement Income Security Act of 1974 [ERISA]).
- 10.1.7. Since 2002, has the firm, the Primary Consultant(s), or another officer or principal been involved in any business litigation, regulatory or other legal proceedings or government investigation involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty relating to pension consulting activities? If so, please describe, provide an explanation and indicate the current status.
- 10.1.8. Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries. List the insurance carriers supplying the coverage.

10.2. ***References***

Please provide three (3) references that we may contact.

10.3. ***Proposer's Independence of Judgement and Freedom from Conflicts of Interest***

- 10.3.1. Does the firm or any affiliate serve as an investment manager for clients?
- 10.3.2. Does the firm or any affiliate act as a securities broker-dealer?
- 10.3.3. Does the firm accept soft dollars as a method of payment for services
- 10.3.4. Does the firm have any potential conflicts of interest with the MPAERS?

10.4. ***Depth and Experience of Personnel***

- 10.4.1. Please name and include a brief resume of the person(s) you propose to be Primary Consultant(s) for the MPAERS. Please state which of the firm's offices would service this account.
- 10.4.2. Please identify all principals of the firm and designate which individuals, including research and systems support personnel, will be committed to the MPAERS' account. Include their length of experience in pension consulting services, any specialty expertise they possess, and the highest educational degree they have attained.

<u>Name</u>	<u>Title</u>	<u>Years With Firm</u>	<u>Consulting Experience</u>	<u>Education</u>
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In addition, please provide an organizational chart showing functions, positions, and titles of all personnel involved in pension consulting services as well as the parent - subsidiary, affiliate or joint venture entities.

- 10.4.3. Please provide biographical data on all the individuals listed above.
- 10.4.4. Please explain how the team dedicated to the MPAERS account would function, including Primary Consultant(s), back-up, quality control, research, and support services.
- 10.4.5. How many client relationships will the Primary Consultant(s) have other than the MPAERS? What are the client/consultants and client/consulting personnel ratios for the firm?
- 10.4.6. Please list the Primary Consultant's current clients and engagements by asset size, type of client (e.g. public fund, corporate fund, endowment) and type of engagement (e.g. general consulting services, project-based service).
- 10.4.7. Please describe your firm's back up procedures in the event the key personnel assigned to the MPAERS account should leave the firm. If applicable, give an example of a situation where this procedure has been utilized.
- 10.4.8. Please indicate the turnover of professional staff (senior management and consulting personnel) over the past five years as follows.

<u>Person</u>	<u>Position</u>	<u>Date Left</u>	<u>Reason For Leaving</u>	<u>Replaced By</u>
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- 10.4.9. Give a brief description of your firm's compensation arrangements for senior management, including any incentive and other bonuses and how and for what they are awarded. Does staff participate in equity ownership? If ownership is not available, is there a specific arrangement for sharing in the profits earned by the enterprise? What specific incentives are employed to ensure key professionals do not leave the firm either as a group or individually?

10.5. Research Capabilities

- 10.5.1. Describe the internal structure and organization of your research department. (if no separate department exists, describe how this function is performed).
- 10.5.2. Describe the manner in which internal and external resources and sources of information are used in the research process. How does your firm integrate

internal and external research?

- 10.5.3. Please describe in detail the type and frequency of research that would be provided to the Board. Does your firm provide research reports other than those specifically requested by the client? If so, please describe. What research and analytical resources (including databases) does your firm possess that your firm would be willing to provide to the Board under the Contract?
- 10.5.4. Please attach as an exhibit labeled "10.5.4" to your Proposal one of your firm's sample research reports applicable to the services provided for in the proposal.
- 10.5.5. Outline your process for monitoring and reporting on market trends. Describe your capabilities for reporting and tracking international trends and influences.

10.6. **General Questions**

- 10.6.1. Outline your firm's process for maintaining and providing a continuous review of your client's investment policy, objectives and criteria.
- 10.6.2. Discuss in detail the theory and methodology of the asset allocation models you employ. How does your firm develop input data for the models employed? At a minimum, discuss for domestic and international equity and fixed income, the derivation of expected returns, risks, correlations, use of constraints, or scenario forecasting. How is the liability structure, funding level, and changes in the contribution level incorporated? Please discuss your capabilities for analyzing liabilities.
- 10.6.3. Describe your methodology and sources of data for analyzing and evaluating your clients' overall portfolio performance, including the incorporation of illiquid assets such as real estate and alternative investments.
- 10.6.4. Please outline your work plan for preparing an analysis of the System's portfolio.
- 10.6.5. Describe your process and sources of data for analyzing, monitoring and reporting numerical and operating performance of clients' public market investment portfolios.
- 10.6.6. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can your firm provide custom benchmarks? Style benchmarks? Normal portfolios? Please indicate whether your firm has ever developed benchmarks and, if so, provide a description of the benchmarks developed.
- 10.6.7. Describe your firm's process for the evaluation and selection of public market

investment managers for a client. Include how the firm evaluates a manager's personnel and organization, investment philosophy, investment style(s) and products, research and/or modeling capabilities, financial condition, assets under management, type of clients, client service, and fees. Relate the process to a client's goals, objectives, investment policy and fiduciary responsibility.

- 10.6.8. Please discuss your views on active vs. passive management and when it is appropriate to use each and how to determine the optimum mix.
- 10.6.9. Describe your firm's methodology and sources of data for analyzing and evaluating a potential manager's performance. Discuss how your firm verifies the accuracy and appropriateness of a manager's performance history submitted by a manager in a response to a request for proposal.
- 10.6.10. Please discuss your firm's knowledge of and expertise in applying Global Investment Performance Standards (GIPS). Does your firm act as a third party vendor to independently verify that managers' performance returns are accurate and were calculated according to GIPS standards?
- 10.6.11. Does your firm maintain a database of investment managers and advisors? How many managers and advisors are contained in the database? Please separate the managers and advisers by portfolio, style, capitalization and any other specialty designation (e.g. domestic equity, large capitalization, growth and MBE).
- 10.6.12. Describe how your firm gathers, verifies, updates, maintains and analyzes the data collected on managers for the database. Describe the screening variables and capabilities of the database. Describe the capability of providing custom client reports. How are minority-owned, woman-owned, and disabled veteran-owned firms incorporated in the database?
- 10.6.13. Please discuss your views on performance-based fees, asset-backed fees, flat fees with or without performance bonuses, or any other fee structures you may recommend.
- 10.6.14. Please discuss your views on appropriate benchmarks for both domestic and international equity and fixed income portfolios including market indices, style-related benchmarks, and normal portfolios.
- 10.6.15. Please describe your firm's process for monitoring investment managers for a client. Relate the process to a client's goals, objectives, and investment policy. Specifically, include the monitoring of performance, risk, style integrity, contract compliance, account restrictions, activities creating potential conflicts of interest, reporting requirements, and trading costs (including foreign exchange).
- 10.6.16. Describe your experience and capabilities in analyzing and monitoring international managers, including currency effects, the use of hedging, authorized countries, emerging markets, and appropriate benchmarks.

- 10.6.17. Describe your experience and capabilities in analyzing and monitoring small and emerging managers, including women, minority and disabled veteran-owned investment management firms and brokerage firms.
- 10.6.18. Describe your firm's criteria for recommending a manager be placed on probation, removed from probation, or replaced.
- 10.6.19. Describe how you would advise a client regarding minimizing trading costs (including foreign exchange) both on an ongoing basis and during a manager transition. Include a discussion on crossing and aggregating trades among internal and external accounts. What is your firm's position on the use of a client's commission dollars to purchase research or services for the use of the money manager?
- 10.6.20. Please describe your internal system to monitor manager compliance with guidelines and report investment style approach.

10.7. ***Client Coverage and References***

- 10.7.1. Please indicate in the chart below the composition of your client base using percentages. Please explain if your client base is heavily weighted to any particular type of investor.

<u>Client Type</u>	<u>Percentage</u>
Public Pension Funds	
Corporate Pension Funds	
Endowments	
Other (Specify)	
 TOTAL	 100%

- 10.7.2. Please give details on the number, name(s) and asset values of any client relationships that were either terminated or not renewed in the last three years with reasons for the termination or non-renewal.
- 10.7.3. Please give details on the number, name(s) and asset values of any new client relationships gained in the last three years.
- 10.7.4. Explain your firm's goals and desires for expansion, particularly how such goals pertain to accepting new client business and the quality of service to all clients. Is there a limit to the number of new clients your firm will accept? At what point will you need to add additional staff? What are the client/consultant ratios of both the firm and the proposed Primary Consultant?

10.8. *Additional Information.*

Please provide the following sample reports as exhibits to your Proposal

- Asset Allocation Plan (including analysis of liabilities).
- Investment Policy and Procedures Statement or Manual.
- Performance Attribution Analysis (please include a portfolio including domestic equity, fixed income, international equity and emerging markets equity as well derivative securities such as futures and options).
- Manager Oversight (Monitoring) Reports for Public Market Managers.
- Manager Search Analysis.
- Trading Cost Analysis.

10.9. *Additional Requirement.*

Please submit an executive summary consisting of not more than 5 one-sided (or two and one-half two-sided) pages which summarizes the contents of your Proposal. If your firm is selected for a finalist interview, this summary will be provided to the Board in advance of any interview. Please be aware that all members of the Board may not have read your complete Proposal, which will be evaluated by the Search Committee.

11. Fee Proposal

As the term of the Contract shall be three (3) years with an additional two year option, the Fee Proposal shall be guaranteed for a period of not less than three (3) years from the effective date of the Contract. Each proposer should also provide a fee basis should the Board elect to extend the contract pursuant to the two-year extension option. **The services detailed under “SCOPE OF SERVICES” in Section 3 of this RFP should form the basis for the proposed fees** and Section 3 should be referred to for a detailed description of the services required of the successful proposer or proposers.

The method of payment will be set forth in the Contract. Once the consultant is selected, the fee may be negotiated further depending on the variance from the other Proposals. In no case will the negotiated fee be higher than the fee contained in the Proposal. All retainer-based fees shall include all expenses of the proposing firm during the term of the Contract.

FEE PROPOSALS MUST BE SUBMITTED IN A SEPARATE, SEALED ENVELOPE AS DESCRIBED ABOVE

12. Representations and Warranties

All proposers are required to submit an executed copy of this exhibit as an attachment to the cover letter described in Section 5 of the RFP:

- A. Proposer warrants that it meets, or will meet before the award of the Contract, the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond that will be applicable to proposer's actions under that Contract (unless exempt, and explanation of exemption is attached).
- B. Proposer warrants that it maintains an errors and omissions insurance policy providing a prudent amount of coverage for negligent acts or omissions and that such coverage will be applicable to proposer's actions under the Contract.
- C. Proposer warrants that it will not delegate its fiduciary responsibilities assumed under the Contract.
- D. Proposer warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations required by a government or governmental authority for acts contemplated by the Contract.
- E. Proposer warrants that it will agree to the provisions of the Contract which are set forth in Exhibit 4 to this RFP.
- F. Proposer warrants that it is a registered investment advisor pursuant to the Investment Advisors Act of 1940 (15 U.S.C. 80b-1 *et seq.*).
- G. Proposer warrants that it meets all of the minimum criteria applicable to the firm under this RFP as follows:

[Please list each minimum requirement and specifically describe how your firm meets that applicable minimum criteria in Section VIII.]

Name of Firm

Date

Signature

Title

ATTACHMENT 1

Massachusetts Port Authority Employees' Retirement System

Target Allocation

Domestic Equity	33%
International Equity	25%
Fixed Income	32%
Real Estate	5%
Alternative Investments	5%

Current Investment Managers

Domestic Equity

Large/Mid Cap

State Street Global Advisors (passive)

Small Cap

Pzena

State Street Global Advisors (passive)

International Equity

Pyramis

Templeton

Fixed Income

State Street Global Advisors (passive)

Wellington

Real Estate

PRIT

Alternative Investments

PRIT

ATTACHMENT 2

**MASSACHUSETTS PORT AUTHORITY
EMPLOYEES' RETIREMENT SYSTEM**

**INVESTMENT
GOALS, POLICIES, AND PROCEDURES**

Revised August 21, 2009

Purpose

This document will provide the framework for the investment management of the Massachusetts Port Authority Employees' Retirement System (the System). Specifically, this report is divided into the following six sections:

- I. Background
- II. Investment Goals and Responsibilities
- III. Investment Policies and Procedures
- IV. Asset Allocation Policy and Manager Allocation
- V. Performance Objectives
- VI. Manager Guidelines

The philosophy incorporated herein is to allow for sufficient flexibility in the management process to capture investment opportunities as they may occur, yet set forth reasonable parameters to ensure prudence and care in the execution of the investment program.

Background

The MPAERS is a contributory defined benefit retirement plan established in accordance with Chapter 32 of the Massachusetts General Laws. Under Section 23 of Chapter 32, the Board of the MPAERS has general supervision of the investment and reinvestment of the funds of the System (the "Funds") created pursuant to Chapter 32, Section 22 of such laws. The Board's explicit investment authority under Chapter 32 is extremely restricted. However, under § 23(2)(g), these restrictions do not apply to any system that "upon application is determined by the [Public Employee Retirement Administration Commission ("PERAC")] to have a record of investment management which merits broader investment powers"

PERAC regulates the investment decisions made by the Board and all other Chapter 32 pension fund trustees. PERAC's statutory responsibilities include approving the scope of investment authority of each retirement system governed by Chapter 32, approving investment professionals retained by boards, conducting audits of the systems and their investment activity, and reviewing statutory compliance. PERAC's Investment Regulations are set forth in Part 840 of the Code of Massachusetts Regulations (840 CMR) §§ 16.00 through 21.00 (the "Investment Regulations").

Pursuant to § 23(2)(g), referred to above, the Board has applied to PERAC for and has been granted broad investment authority and a waiver of the restrictions in § 23. In addition to the broader investment authority set forth in the Investment Regulations for exempt boards, specific investment authority granted to the Board is set forth in a series of the Board's supplementary regulations (the "Supplementary Investment Regulations") approved by PERAC. The Investment Regulations and Supplementary Investment Regulations are incorporated by reference into this statement and the Board's investment goals, policies, and procedures.

In order to carry out its duties with regard to investment and reinvestment of the Funds of the System under Chapter 32 and to qualify for the broader investment authority referred to above and in the Investment Regulations, the Board has retained, and will continue to retain, professional investment consulting and advisory services (“Investment Consultant” and “Investment Advisors”) to advise and assist it with regard to both asset allocation and investment of the Funds’ assets. The Investment Consultant and Investment Advisors are fiduciaries of the System to the extent of their delegated authority granted by the Board and are also subject to the requirements and restrictions of Chapter 32 and the Investment Regulations.

The Board, and its Investment Consultants and Investment Advisors to the extent that they act on behalf of the Board, shall discharge their duties with respect to the System:

1. Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, and defraying reasonable expenses of administering the system.
2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with matters would use in the conduct of an enterprise of a like character and with like aims. The investment Consultants and Advisors appointed by the Board have been chosen for their particular expertise in investment matters and shall at all times exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims and will assist the System to diversify the investments of the Funds so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.
3. To diversify the investments of the System so as to maximize the total rate of return commensurate with a level of investment risk that is prudent and reasonable under prevailing capital market conditions.
4. Such that investment and management decisions respecting individual assets shall be considered in the context of the Funds’ portfolio as a part of an overall investment strategy reasonably suited to the Funds.

The specific investment-related duties of the Board and, by delegation, of its Investment Consultant and Advisors as indicated, include but are not limited to:

1. Selection and appointment of investment consultant and management professionals to assist the Board to carry out its duties under Chapter 32 and PERAC’s Investment Regulations;
2. Establishment and implementation of investment policy with the advice and assistance of the Board’s Investment Consultant and Investment Advisors;

3. Review and general supervision of the activities of the Board's Investment Consultant and Investment Advisors with regard to system assets.

At the present time, the past service liability of the system is "fully funded" to the extent that the System's actuarially-determined assets are sufficient to cover its actuarially determined past service liabilities. For purposes of determining on an actuarial basis the System's funding status, the System has assumed a 7.75 % long-term rate of investment return. Prudence with regard to the Funds shall take into account this funded status of the System.

Investment Goals and Responsibilities

The general investment goals are broad in nature to encompass the purpose of the System and its investments. They articulate the philosophy by which the Board and, by specific delegations, its Investment Consultant and Advisors, will manage the System's assets within the applicable legal constraints:

1. The overall goal of the System is to provide benefits, as anticipated under the System's governing plan document, to its participants and their beneficiaries through a carefully planned and executed investment program.
2. The System seeks to produce a return on investment commensurate with levels of liquidity and investment risk that are prudent and reasonable given the financial status of the System and the prevailing capital market conditions. While the System recognizes the importance of the preservation of capital, it also recognizes the critical importance of a reasonable investment return in meeting the long-term financial requirements of the System. It adheres to the theory of capital market pricing that maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is both necessary and justifiable.
3. The System's investment program shall at all times comply with existing and future applicable state and federal regulations.

Policies and Procedures

The policies and procedures of the investment program guide its implementation and outline the specific responsibilities of the System.

Therefore, it is the policy of the System to:

1. Base the investment of the assets of the System on a financial plan that will consider:
 - a. The financial condition of the System

- b. The expected long-term capital market outlook
- c. The System's risk tolerance
- d. Future changes to the number of active and retired participants
- e. Projected inflation and the rate of salary increase
- f. Cash flow requirements
- g. Targeted funding level as a percentage of the actuarial funding target.

In developing its financial plan, the Board has relied on the System's Investment Consultant, as one of the System's expert fiduciaries, to advise the Board as to the long-term capital outlook and the Board's options available to meet its investment objectives in light of that investment outlook. The Investment Consultant has advised the Board as to the potential impact on the funding level of alternative investment policies in terms of risk and return based on various levels of asset diversification and the current and projected liability structure of the System. Based on this advice, the Board has adopted an overall investment performance goal commensurate with the level of risk necessary to reach those goals.

2. Based on the financial plan and the advice of the Investment Consultant, the Board shall determine the specific allocation of the investments among the various asset classes considered prudent given the System's liability structure. The long-term asset allocation shall be expressed in terms of a target and ranges for each asset class to provide sufficient flexibility to take advantage of short-term market opportunities as they may occur. Allocation shall be sufficiently diversified to maintain a prudent level of risk, as determined by the Board, based on the Investment Consultant's expert opinion and projections that utilize reasonable, generally accepted capital market assumptions to ensure the current asset mix has a high probability of achieving the long-term goals of the retirement program.
3. In accordance with the asset allocation guidelines so adopted, the System's Investment Consultant shall advise and recommend to the Board external investment managers with demonstrated experience and expertise whose investment styles collectively will implement the planned asset allocation. Based on these recommendations, the Board will select the Investment Advisors that it deems most capable of carrying out the System's investment objectives. Upon the advice of the Investment Consultant, the Board will set guidelines for these managers and regularly review their investment performance against stated objectives.
4. It is the responsibility of the Board to administer the investments of the System at the lowest reasonable cost, taking into account the need to ensure quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs, and other administrative costs chargeable to the System.

Procedures to be undertaken for the investment management of the System's assets include:

1. The Board shall periodically select and appoint an Investment Consultant and Investment Advisors to assist the Board to carry out its duties under Chapter 32 and PERAC's Investment Regulations;
2. The Board shall establish and implement its investment policy with the advice and assistance of the Board's Investment Consultant and Investment Advisors;
3. The Board shall periodically review and generally supervise the activities of the Board's Investment Consultant and Investment Advisors with regard to the development and execution of the System's investment program.
4. The Board shall conduct a formal review of the System's investment structure annually with an updated financial projection developed at least every four years.
5. The Board shall review investments of the System no less than quarterly and more often as needed to ensure that policy guidelines continue to be appropriate and are being met. The Board shall monitor investment returns on both an absolute and comparative basis and shall report their findings to the System's members and PERAC. The source of information for these reviews shall come from the Investment Consultant and Investment Advisors.

Asset Allocation Policy and Manager Allocation

As evidenced in the table below, the assets of the System are currently invested in U.S. and international stocks, U.S. bonds, real estate, alternative investments, and cash equivalents. The following table indicates the current policy mix as approved by the Board on February 27, 2004 and put into effect on March 31, 2004. The actual asset allocation would be allowed to vary within the ranges of target policy as indicated below:

Asset Class	Current Target Policy	Range	
		Minimum	Maximum
U.S. Stocks	33 %	30 %	36 %
International Stocks	25 %	22%	28 %
U.S. Bonds	32 %	29 %	35 %
Real Estate	5 %	3 %	7 %
Alternative Investments*	5 %	0 %	10 %
Cash & Equivalents	0 %	0 %	5 %
Total	100 %		

* The alternative investment allocation will be implemented over time. Any shortfall in the alternative investment allocation due to anticipated future commitments, or current commitments that have yet to be called will be invested in the System’s U.S. Stock Large Core Index Fund until such time as funds are committed and/or drawn down. Likewise, any overweight to alternative investments due to market appreciation, will be netted against the System’s U.S. Stock Large Core Index Fund.

Rebalancing

The Board shall rebalance to the established targets during the quarter following the quarter-ended whenever the asset class allocation falls outside of the allowable range specified above.

Investment Managers

The current investment advisors for the System are Wellington Management Company (Fixed Income), Pzena Investment Management, LLC (U.S. Stocks) , State Street Global Advisors (U.S. Stocks and Fixed Income), and Templeton Investment Council (International Stocks), Pyramis Global Advisors (International Stocks), and PRIT (Real Estate and Alternative Investments). The following indicates the investment portfolios and the corresponding investment style.

<u>Asset Class</u>	<u>Manager</u>	<u>Style</u>	
U.S. Equity	State Street Global Advisors	Large/Mid Core	Passive
U.S. Equity	State Street Global Advisors	Small Growth	Passive
U.S. Equity	Pzena Investment Mgmt	Small Value	Active
International Equity	Templeton Investment Council	Value	Active
International Equity	Pyramis Global Advisors	Core	Active
Fixed Income	State Street Global Advisors	Core	Passive
Fixed Income	Wellington Management Co.	Core Plus	Active
Real Estate	PRIT	Core	Active
Alt. Investments	PRIT	Core	Active

Performance Objectives

The System’s performance objectives can be divided into two components: 1) objectives for the overall fund and 2) objectives for the individual portfolio components. Both levels of objectives will be incorporated in quarterly reviews of the System’s performance.

The performance objectives for the overall System include:

- a. Objective relative to asset allocation targets
- b. Objective relative to inflation

c. Objective relative to actuarial rate of interest

The first objective results in a comparative index, which is comprised of a weighted average of the policy targets, as detailed in Section IV, applied to their respective benchmarks, described below. This index reflects the System’s asset allocation policy. The performance objective for the System is to exceed the return of this index by 1.0% annually over rolling five-year periods.

The inflation objective requires that the investment performance provide a 5.0% real rate of return over the expected rate of inflation, the primary driver of benefits and pension costs. The System should earn a return over the assumed actuarial rate of return of 8.00% to avoid actuarial losses.

Lastly, individual portfolio components also have performance objectives reflecting the unique investment style of each category. The investment style and performance benchmarks for the different managers are shown in the individual managers sections.

Overall System Objectives

1. Relative to asset allocation targets:

Asset Class	Benchmark
U.S. Stocks	DJ Wilshire 5000
International Stocks	MSCI EAFE (N)
U.S. Bonds	Barclays Aggregate
Real Estate	NCREIF Property Index
Alternative Investments	DJ Wilshire 5000
Cash and Equivalent	90-Day Treasury Bills

2. Relative to inflation:
5.0% in excess of Consumer Price Index

3. Relative to assumed actuarial rate of interest:
8.00% per year

Manager Guidelines

Manager guidelines encompass two areas: 1) general guidelines applicable to all managers; and 2) specific guidelines, including performance objectives, unique to each manager.

The general guidelines are:

- Sector and security selection, portfolio quality and timing of purchases and sales are delegated to the investment managers.

- Transactions that involve a broker acting as a “principal” where such broker is also the investment manager who is making the transaction are prohibited.
- Transactions shall be executed at the lowest possible total cost when considering direct and indirect fees and market price impact of the purchases and sales.
- Turnover will be within the limits specified by Chapter 32 or in the regulations issued by PERAC including any exemptions granted to the System.

The System has selected investment managers to implement its planning decisions. In order to monitor the manager’s investment performance, specific portfolio performance objectives and guidelines have been adopted. These objectives and guidelines are attached.

U.S. Equity – Passive

State Street Global Advisors – Russell 1000 Index Fund

- A. Benchmark: Russell 1000
- B. Performance Objectives:
 - 1. To obtain the total return of the Russell 1000 Index over rolling 5-year periods.
 - 2. Maintain Tracking error with the Russell index of less than 10 basis points annually.
- C. Portfolio Characteristics
 - 1. The portfolio will typically hold approximately 1000 of the largest capitalization U.S. stocks and be fully invested at all times.
 - 2. All other portfolio characteristics should be equal to the Russell Index.

U.S. Equity – Passive Small Cap Growth

State Street Global Advisors – Russell 2000 Growth Index Fund

- A. Benchmark: Russell 2000 Growth
- B. Performance Objectives:
 - 1. To obtain the total return of the Russell 2000 Growth Index over rolling 5-year periods.
 - 2. Maintain Tracking error with the Russell index of less than 10 basis points annually.
- C. Portfolio Characteristics
 - 1. The portfolio will typically hold approximately 1,300 of the small capitalization U.S. growth stocks and be fully invested at all times.
 - 2. All other portfolio characteristics should be equal to the Russell Index.

U.S. Equity – Active Small Cap Value

Pzena Investment Management – Small Cap Value

- A. Benchmark: Russell 2000 Value Index
- B. Performance Objective:
 - 1. To exceed the total return of the Russell 2000 Value Index by 2.0% annually over rolling 5-year periods.
- C. Portfolio Characteristics:
 - 1. The portfolio will typically hold greater than 30 small capitalization U.S. stocks and be fully invested at all times.
 - 2. To construct and manage a portfolio of small capitalization, U.S. stocks, using an active management strategy with excess returns generated primarily through stock selection.
 - 3. The portfolio will typically hold securities with an above-market dividend yield, valuation levels (P/E, P/B) below those of the general market and a risk profile similar to that of the benchmark.
 - 4. The portfolio may hold equity securities including: common and preferred stock, securities convertible into common and preferred stock, rights and warrants, depository receipts, and equity securities issued by non U.S. domiciled companies which are denominated in U.S. dollars and trade on a recognized exchange.

International Equity – Foreign Equity Series Primary Share

Templeton Investment Counsel

- A. Benchmark: MSCI ACWI Fr X US Index
- B. Performance Objectives:
 - 1. To exceed the total return of the MSCI ACWI Fr X US index by 2.0% annually over rolling 5-year periods.
- C. Portfolio Characteristics
 - 1. The portfolio will typically invest in equity securities of companies located outside of the U.S. using an active management strategy with excess returns generated primarily through stock selection.
 - 2. The portfolio's investment style is likely to produce a level of variability less than the MSCI ACWI Fr X US Index.
 - 3. Sector deviation from the MSCI ACWI Fr X US Index will be largely due to different country weightings versus the benchmark. The portfolio normally will invest at least 65% of total assets in at least three different nations.

International Equity – Pyramis Select International

Pyramis Asset Management

- A. Benchmark: MSCI EAFE Index
- B. Performance Objectives:
 - 1. To exceed the total return of the MSCI EAFE index by 1.5% annually over rolling 5-year periods.
- C. Portfolio Characteristics
 - 1. The portfolio will typically hold in excess of 200 non-U.S. stocks and be fully invested at all times.
 - 2. The portfolio's sector and country allocations and characteristics such as P/E, P/B and dividend yield will be similar to those of the MSCI EAFE Index. Therefore, the majority of return deviation from the index will be the result of security selection.
 - 3. The portfolio's investment style is likely to produce a level of variability approximately equal to the MSCI EAFE Index.

Fixed Income- Active Management

Wellington Core Bond Plus Portfolio

- A. Benchmark: Barclays Aggregate Index
- B. Performance Objective:
1. To exceed the total return of the Barclays Aggregate Index by 0.50% annually over rolling 5-year periods.
- C. Portfolio Characteristics:
1. The following constraints will apply to the portfolio:
 - i. The average quality of the overall portfolio will be investment grade, with the specific rating at any particular time reflective of relative valuations among the quality sectors. The portfolio may invest up to 25% of assets in non-investment grade debt obligations of US and non-US issuers, including investments in securities of emerging markets, which shall not comprise more than 5% of the portfolio's assets.
 - ii. The average duration of the US portion of the portfolio will range between +/- 30% of the Barclays Aggregate duration.
 - iii. No single issuer, other than the US Treasury, US government agencies, and the investment grade debt obligations of OECD member countries, will represent more than 5% of the overall portfolio at the time of purchase.
 - iv. Up to 25% of the portfolio may be invested in non-US dollar denominated issues, which may be entirely unhedged, partially hedged, or fully hedged.
 2. Sector Concentrations:

	<u>Maximum</u>
US Governments	100 %
<u>Investment Grade:</u>	
Inv. Grade Corporates	75 %
Mortgage Backed	75 %
Asset Backed	50 %
High Yield	25 %
Non-US Investment Grade	25 %*

*Maximum investment in emerging markets securities is 5%

Fixed Income – Passive

State Street Global Advisors – Barclays Aggregate Index Fund

- A. Benchmark: Barclays Aggregate
- B. Performance Objectives:
 - 1. To obtain the total return of the Barclays Aggregate Index over rolling 5-year periods.
 - 2. Maintain Tracking error with the Barclays index of less than 10 basis points annually.
- C. Portfolio Characteristics
 - 1. The portfolio will utilize a stratified sampling technique that will result in characteristics, such as duration, sector allocation, credit quality and yield-to-maturity, that closely approximate those of the Barclays Aggregate Index and be fully invested at all times.
 - 2. All other portfolio characteristics should be equal to the Barclays Aggregate Index.

Real Estate

PRIT – Real Estate Commingled Fund

A. Benchmark: NCREIF Property Index

B. Performance Objective:

1. To exceed the overall Internal Rates of Return (IRR's) of the NCREIF Property index by 1.0% annually over rolling 10-year periods.

C. Portfolio Characteristics:

1. The portfolio will typically invest in wholly owned properties, Real Estate Investment Trusts, and “value enhanced” real estate.
2. The portfolio property type allocations will approximate the following mix:

<u>Property Type</u>	<u>Allocation</u>	<u>Variance</u>
Retail	25 %	+/- 10 %
Office	25 %	+/- 10 %
Industrial & R&D	30 %	+/- 10 %
Multi-family	20 %	+/- 10%

Alternative Investment Strategies

PRIT – Alternative Investment Commingled Fund Copley Partners

A. Dow Jones Wilshire 5000 Index

B. Performance Objective:

1. To exceed the total return of the Dow Jones Wilshire 5000 Index by 4.0% - 5.0% annually over rolling 10-year periods.

C. Portfolio Characteristics:

1. The portfolio will typically be comprised of 20% venture capital and 80% leveraged buyout holdings, with opportunistic investments in distressed debt or international investments.
2. Investments will be diversified across a number of vintage years.

ATTACHMENT 3

2009 INVESTMENT CONSULTANT AGREEMENT

THIS AGREEMENT (the "Agreement"), dated as of , is made by and between the Massachusetts Port Authority Employees' Retirement Board (the "Board") as trustee of the funds (the "Funds") of the Massachusetts Port Authority Employees' Retirement System ("the "MPAERS" or "System") and (the "Consultant").

Introduction. The MPAERS is a contributory defined benefit retirement plan established in accordance with Chapter 32 of the Massachusetts General Laws. Under Section 23 of Chapter 32, the Board of the MPAERS has general supervision of the investment and reinvestment of the Funds of the System created pursuant to Chapter 32, Section 22 of such laws. The Board is responsible for the administration of the Funds and enters into this Agreement appointing the Consultant as Investment Consultant with regard to the Funds pursuant to its authority under Massachusetts General Laws, Chapter 32, Section 23.

The Massachusetts Public Employee Retirement Administration Commission ("PERAC") regulates the investment decisions made by the Board and all other Chapter 32 pension fund trustees. PERAC's statutory responsibilities include approving the scope of investment authority of each retirement system governed by Chapter 32, approving investment professionals retained by boards, conducting audits of the systems and their investment activity, and reviewing statutory compliance. PERAC's Investment Regulations are set forth in Part 840 of the Code of Massachusetts Regulations (840 CMR) and the regulations applicable to Consultants are set forth in 840 CMR 26.00 *et seq.* This Agreement is contingent upon and subject to PERAC's approval, and, at all times, the Consultant shall carry out its duties under this agreement in conformance with Chapter 32 and PERAC's regulations applicable to Consultants.

1. Appointment of the Consultant as Investment Consultant. The Board hereby appoints and retains the Consultant, and the Consultant hereby agrees to serve as Investment Consultant, upon and subject to the terms hereof, and subject to PERAC approval of the Board's retention of the Consultant as Investment Consultant, beginning at the opening of business on [_____] or such later date as may be directed by PERAC or as may be agreed upon by the parties (the "Effective Date") and continuing until this Agreement is terminated in accordance with the terms hereof. The Consultant hereby accepts appointment as Investment Consultant and agrees to provide services in accordance with the Scope of Services set forth in Schedule A hereto and the other terms and conditions of this Agreement. The Consultant agrees that the performance of services under this Agreement shall conform to highest professional standards.

2. Personnel. The Consultant shall allocate such personnel and devote such efforts as are necessary and appropriate for it to carry out its duties under this Agreement. The Consultant shall appoint at least one individual to act as Primary Consultant assigned

to the System's account, and shall not change the Primary Consultant without the prior written consent of the Board. The initial Primary Consultant shall be .

3. Fiduciary Status of The Consultant; Chapter 268A. With respect to the performance of its duties and responsibilities hereunder for the System, the Consultant acknowledges that it is a "fiduciary" within the meaning of Chapter 32 of the Massachusetts General Laws. The Consultant shall discharge its duties and responsibilities under this Agreement in accordance with the fiduciary standards of conduct and other requirements as they apply to the Consultant and shall discharge its duties provided for hereunder for the exclusive purpose of benefiting the System and its beneficiaries. At all times the Consultant shall exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. Without limiting the foregoing, the Consultant will assist the System to diversify the investments of the Funds so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. In addition, the Consultant is advised of the existence of Massachusetts General Laws, Chapter 268A (the Massachusetts "Conflict of Interest" statute), and shall act and perform its duties in accordance with such provisions. The Consultant acknowledges that it has copies of and is familiar with Chapters 32 and 268A of the Massachusetts General Laws as currently in effect, and with PERAC's regulations applicable to Consultants.

4. Status of Consultant. The Consultant is engaged under this Agreement as an independent contractor and not as an agent or employee of the System.

5. Scope of Authority. The Consultant shall have only those powers permitted to be delegated by the Board as set forth in the Regulations of PERAC and explicitly granted to the Consultant by the Board in this Agreement and, with respect to the assets of the System, all powers which are not so granted shall be exercised only by the Board. Specifically, the Consultant shall have no discretionary authority with regard to the System's Funds. While the Consultant will make recommendations to the Board regarding investments, nothing in this agreement shall delegate to the Consultant any investment decision or any of the Board's duties and responsibilities under applicable law.

6. Fees and Expenses. The Consultant shall be entitled to receive from the Board as complete compensation for services rendered hereunder the fees set forth in Schedule B hereto. The Fee Schedule may be modified by mutual agreement of the parties in writing. Such fees will be paid by the Board at the times and in the manner specified in the Fee Schedule, and will be pro-rated from the Effective Date. The Consultant will not be paid or reimbursed for any expenses except to the extent agreed by the Board in writing. In the event that the Consultant currently or at any time during the continuation of this Agreement performs similar services for other clients at a lower or more favorable fee schedule, the Consultant will promptly notify the Board of such arrangement and offer to provide services hereunder on a going forward basis at such lower or more favorable fee schedule.

The parties agree that the liability of the System to the Consultant in connection with this Agreement is limited strictly to the compensation provided for under this paragraph. Without limiting the foregoing, in no event shall the System be liable to the Consultant for any incidental, special, punitive or consequential damages, including loss of anticipated revenues or profits, whatever the cause.

7. Confidentiality. The Consultant shall maintain in strictest confidence the investment advice and information it furnishes to or receives from the Board or the Custodian (as defined in Section 8) in connection with this Agreement; provided, however, that the Consultant will be permitted to disclose or communicate to a proper party any information received from the Board or the Custodian or developed by the Consultant under the terms of this Agreement, if such disclosure or communication is necessary to carry out the purposes of this Agreement or is required by law. Before such disclosure or communication, the Consultant, unless prohibited by law, will notify the Board of the information to be disclosed or communicated and the party to whom that information will be disclosed or communicated. The terms of this paragraph shall not be interpreted so as to prevent the Consultant from providing investment advice to other clients who share comparable investment objectives with the Board, or to prohibit the Consultant from utilizing the Consultant's investment experience or performance with respect to the Account on an undisclosed basis for use in composite performance presentations. The Consultant hereby approves of periodic reports by the Board and its staff of the Consultant's investment program and investment results hereunder, recognizing that such reports may be public records available to the media and the public.

8. Custody of Funds. The Board has entered into an Agreement with State Street Bank & Trust Company to act as custodian for all assets of the System. The entity serving as such custodian from time to time is herein referred to as the "Custodian." The Consultant shall have no responsibility or liability with respect to the acts, omissions or other conduct of the Custodian. The Board reserves the right to change the Custodian at any time.

9. Reports. In addition to the reports specifically referred to in Schedule A, the Consultant shall furnish to the Board such additional reports with respect to the System's Funds as the Board shall reasonably request from time to time.

All reports, calculations, estimates and other documents, data or information prepared by the Consultant pursuant to this Agreement shall become the property of the System, and the System shall have an unlimited right to their use.

The Consultant shall promptly notify the Board in writing of: (1) any change in the Consultant's representations in this Agreement during the term of this Agreement; (2) any change in the senior management and key investment professionals, or material changes in ownership of the Consultant's organization; (3) any change in the senior consultant team assigned to the System; (4) any other material change in the Consultant's business activities or circumstances; (5) any action taken by the Consultant that is contrary to or inconsistent with this Agreement; and (6) the commencement by any

governmental regulatory or law enforcement agency of any investigation, examination or other proceeding directly involving the Consultant, its owners, or employees, except such investigations, examinations or other proceedings as are routinely conducted in the ordinary course of the Consultant's business.

10. Records. The Consultant shall maintain such books, records and other compilations of data as are sufficient to substantiate the performance of its duties hereunder, and to document the procedures followed and basis for the Board's decisions in connection with manager selection, asset allocation decisions, and the other matters included in the services provided by the Consultant hereunder. The Consultant shall make all such records available to the System at the Consultant's offices during office hours upon reasonable notice and the Consultant shall provide copies to the System upon request. The Consultant shall keep all such records for a period of six (6) years or for such longer period as is specified by the Board. All retention periods start on the first day after final payment under this Agreement. If any litigation, claim, negotiation, audit, or other action involving the records is commenced prior to the expiration of the applicable retention period, all records shall be retained until completion of the action and resolution of all issues resulting therefrom, or until the end of the applicable retention period, whichever is later.

11. Services Not Exclusive. The services of the Consultant and its personnel to be provided under this Agreement are not exclusive, and the Consultant may provide services to others and engage in other activities, but the Consultant will allocate such personnel and devote such efforts as are necessary and appropriate for it to carry out its duties under this Agreement. The Consultant may give advice and take action in the performance of its duties with respect to any of its clients which may differ from the advice given, or the timing or nature of action taken, with respect to the System, so long as the advice given and action taken is consistent with this Agreement, PERAC regulations, and other applicable state and federal statutes and regulations.

12. Persons Authorized to Act for the Consultant. The Consultant will from time to time certify to the Board the name of the person or persons authorized to act on its behalf and will give the Board a specimen of his, her, or their signatures. Any person so certified will be an authorized representative of the Consultant for purposes of this Agreement and his or her authority to act on behalf of the Consultant will continue until notice to the contrary is given by the Consultant and received by the Board.

13. Persons Authorized to Act for the Board. The Board may from time to time designate any person or persons to act on its behalf in giving instructions, directions, notices, or other communications to the Consultant and will certify the name of such person or persons to the Consultant and give the Consultant a specimen of his, her, or their signatures. The authority of any such person to act on behalf of the Board will continue until notice to the contrary is given by the Board and received by the Consultant. All oral instructions shall be promptly confirmed in writing.

14. Representations by the Consultant. The Consultant represents and warrants that it is registered and in good standing as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended, and that it has completed, obtained, or performed all other registrations, filings, approvals, authorizations, consents, or examinations required by any government or governmental authority for the performance of the acts contemplated by this Agreement. The Consultant will deliver documentation of such compliance annually or as the Board may reasonably request. Attached hereto and contained in Schedule C are the Disclosure Statement (Attachment C-1), Vendor Representations and Warranties (Attachment C-2), and PERAC Consultant Application (Attachment C-3), which are a part of this Agreement. The Consultant represents and warrants that the information contained in said documents are true as of the Effective Date of this Agreement and shall inform the Board if at any time any of the said information is no longer correct.

The Consultant understands and agrees that from time to time, as directed by the Board, it shall execute under oath and submit to the System such additional disclosure statements with regard to actual or potential conflicts of interest, and/or its qualifications or experience, as may be required by the System and/or PERAC.

15. Term. The term of this Agreement (the "Term") shall be three years from the Effective Date. The Board may extend the Agreement for up to one additional two-year period or any portion thereof (the "Option Years") by giving the Consultant written notice of the Board's election to extend at least sixty (60) days prior to the expiration of the then current Term. For the Option Years, beginning on the first anniversary of the Effective Date, the retainer fee shall be calculated in the same manner as for prior years.

16. Termination. This Agreement may be terminated by the Board for any reason upon not less than thirty days (30) days' written notice to the Consultant, and by the Consultant for any reason upon not less than ninety (90) days' written notice to the Board. In addition, the Board may terminate this Agreement immediately upon notice to the Consultant (i) upon any material breach by the Consultant of its obligations hereunder; (ii) if the Consultant files for bankruptcy or state law receivership; (iii) if in the reasonable judgment of the Board, the Consultant becomes financially unstable so as to jeopardize its ability to perform the services required under the Agreement; (iv) if the Consultant is the subject of criminal investigation, indictment or conviction; or (v) in the event of any material change in the control of the Consultant or a change in or departure of any Primary Consultant. Upon termination of this agreement, the Consultant will immediately and in all cases within ten (10) business days, deliver to the Board all property and documents pertaining to the System then in custody of the Consultant, including the System's portfolio status on a disk that may be retained by the Board or transferred to another monitoring agent.

Any termination of this Agreement shall be without payment of any penalty by the System. A pro rata payment of fees will be made for any quarter in which this Agreement has been terminated. In the event of termination, the Consultant shall not be relieved of any liability to the System for injury or damages sustained by the System by

virtue of any breach of the Agreement by the Consultant. In the event of any termination pursuant to the second sentence of the first paragraph in this Section 16, the Board may, but need not, procure, upon such terms and in such manner as it shall deem appropriate, services similar to those so terminated without prejudice to any other rights and remedies for default the Board may have. Consultant shall be liable to the Board for any annual costs for such similar services in excess of what the Consultant would have been paid under this Agreement for such year through the end of the Option Years. In the event of termination pursuant to this section, the System may withhold any payments to the Consultant for the purpose of set-off until such time as the exact amount of damages due to the System from Consultant is determined (such right of set off does not limit the System's right to recover damages which exceed the amount of fees, or otherwise).

17. Liability. The Consultant shall in no way be responsible for guaranteeing the financial success of any investment. The Consultant shall not be subject to liability for any act, omission, or mistake of judgment in the course of, or connected with, the performance of its responsibilities hereunder, except for liability arising out of (i) a breach by the Consultant of any of its representations, warranties, covenants, or other obligations contained in this Agreement, or (ii) the Consultant's acts or omissions constituting violation of law, bad faith, willful misfeasance, negligence, or reckless disregard of its duties under this Agreement. Nothing herein shall be construed to waive any liability that the Consultant has under applicable federal or state securities laws, or ERISA.

18. Indemnification. The Consultant agrees to defend, indemnify, and hold harmless the System, the Massachusetts Port Authority, the Board, and all of the officers, trustees, agents, and employees of the foregoing, from and against any and all losses, costs, liabilities, damages, or deficiencies, including interest, penalties, and attorneys' fees, which (i) arise out of or are due to a breach by the Consultant of any of its representations, warranties, covenants, or other obligations contained in this Agreement, or (ii) are caused by or resulting from the Consultant's acts or omissions constituting violation of law, bad faith, willful misfeasance, negligence, or reckless disregard of its duties under this Agreement. This paragraph shall survive any termination or expiration of this Agreement.

19. No Waiver. Any failure by the System to assert its rights for or upon any default of this Agreement shall not be deemed a waiver of such rights, nor shall any waiver be implied from the making of any payment hereunder.

20. Authority. Each of the parties to this Agreement represents that it is duly authorized and empowered to execute, deliver, and perform this Agreement, that such action does not materially conflict with or violate any provision of law, rule or regulation, contract, deed of trust, or other instrument to which it is a party or to which any of its property is subject, and that this Agreement is a valid and binding obligation, enforceable against such party in accordance with its terms. The undersigned for each party represents that he/she is authorized to execute this Agreement on behalf of that party.

21. Bonding. The Consultant agrees to maintain during the term of this Agreement any fidelity bond with respect to the assets of the Account which it would have to maintain to satisfy Section 412 of ERISA and the regulations thereunder if the Board or the Funds were subject to the terms of ERISA.

22. Communication. Any approvals, instructions, directions, notices or other communications pursuant to this Agreement will be mailed or delivered:

a) to the Board at:

Director of Retirement
Massachusetts Port Authority
Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, Massachusetts 02128-2909

b) to the Consultant at:

c) to the Custodian at:

State Street Bank Trust Corp.
Specialized Trust Service
Suite 5769
Boston, MA 02206-5769

Attention: Anthony Teberio

Either party may change the address for notices or other communications to it by written notice to the other stating the new address. Notices from either party to the other will be effective when received by the addressee.

23. Non-Discrimination. The Consultant shall abide by and conform to the non-discrimination terms and other provisions in Schedule D attached hereto and incorporated herein.

24. Assignment, Subcontracting. The Consultant shall not assign this Agreement without the prior written consent of the Board. The Consultant shall not subcontract or delegate any of the services provided for under this Agreement, in whole or in part, to any other person or entity without the prior written approval of the Board. No subcontract or delegation shall relieve or discharge the Consultant from any obligation or liability under this Agreement, and the Consultant shall remain fully liable for the acts or omissions of any subcontractor or party to whom a delegation is made to the same extent the Consultant is liable under this Agreement.

25. **Personal Liability Excluded.** No member of the Board or employee of the System shall be charged personally or held contractually liable by or to the Consultant under any term or provision of this Agreement or because of any breach thereof or because of its execution or attempted execution.

26. **Certificate of Compliance with Laws.** The Consultant shall complete the Certificate of Compliance with Laws form designated as Exhibit E attached hereto and incorporated herein.

27. **Entire Agreement.** This Agreement and the Exhibits attached to it set forth the entire understanding between the parties as to the subject matter hereof and supersedes all prior or collateral agreements and representations. To the extent that there is any conflict between the Agreement and any provisions contained in any Exhibit, the Agreement shall prevail. This Agreement may not be amended or modified except by a writing signed by both parties.

28. **Headings; Attachments.** Headings are for convenience only, and the text of this Agreement will govern the rights and obligations of the parties. Each of the Attachments hereto is incorporated herein by reference. Capitalized items used herein have the same meanings as in this Agreement.

29. **Disputed Matters.** With respect to any controversy or dispute arising out of this Agreement, interpretation of any of the provisions hereof, or the actions of the Consultant or the Board hereunder, each of the parties consents to the exclusive jurisdiction of all of the federal and state courts in the Commonwealth of Massachusetts, agrees that venue with respect to any action in such Commonwealth shall lie exclusively in Suffolk County, Massachusetts, and waives any defense of forum non conveniens; provided, however, that at the sole election of the Board, any such controversy or dispute shall be submitted to arbitration before the American Arbitration Association under the Commercial Arbitration Rules then obtaining of said Association, such arbitration to be held in Boston, Massachusetts, and judgment upon any award thus obtained may be entered in any court having jurisdiction thereof. In any such arbitration each party to the arbitration shall bear its own expenses, including expenses of attorneys, financial experts, and other witnesses, and any arbitration fees and expenses of the arbitrators shall be divided equally between the disputing parties. Service of process on either party shall be deemed effective if made in the manner prescribed for the giving of notice in Section 22.

30. **Massachusetts Law.** This Agreement will be considered to be an instrument made under seal in the Commonwealth of Massachusetts and it will be construed and the rights and obligations of the parties determined in accordance with the laws of said Commonwealth, without giving effect to conflicts of laws principles.

IN WITNESS WHEREOF, the Consultant and the Board have executed this Agreement as of the date first above written.

MASSACHUSETTS PORT AUTHORITY
EMPLOYEES' RETIREMENT BOARD

BY: _____
Director of Retirement

BY: _____

SCHEDULE A

SCOPE OF SERVICES

The Consultant shall provide the following services under the general direction of the Board and the System Staff:

- 12.1. **General Investment Policy and Procedures.** At the outset of the engagement and annually thereafter, review the Board's Investment Policies and Procedures and, if necessary, make reasoned recommendations for amendments thereto to the Board.
- 12.2. **Asset Allocation Plan.** At least once during the three year term of the Contract, prepare and present to the Board a written plan establishing investment objectives and target asset mix (the "Asset Allocation Plan"). The Asset Allocation Plan shall take into account the assets and liabilities of the System based on the System's most recent actuarial analysis. The Asset Allocation Plan shall, at a minimum, include (a) a report on asset allocation modeling (including methodology and specifics) linked to funding and liability management; (b) an analysis of the investment characteristics of available asset alternatives; (c) recommendations for modifications to the Board's statement of investment policy; and (d) recommendations for an optimum asset allocation for the Fund based upon all of the foregoing, including a methodology (and time table) for achieving such asset allocation.
- 12.3. **Specific Requests for Policy Analysis.** As requested by the Board, but no more than quarterly, review and analyze investment policies and objectives proposed by the Board, staff, investment managers, or specialty consultants to ensure overall consistency of the Board's investment policies.
- 12.4. **Planning.** During the fall of each year, prepare and present to the Board a report containing (a) an evaluation of the effectiveness of the current portfolio and investment manager structure (including evaluations of the current investment managers); (b) a review of the fund's needs for particular investment styles, capitalization ranges or strategies within the portfolio (e.g. growth/core/value; small/mid/large capitalization; government/corporate/mortgage; and passive/risk controlled/active); and (c) an analysis of the current fee structure.
- 12.5. **Performance Analysis.** On a monthly and quarterly basis provide performance analysis, including performance of individual allocated portfolios (domestic equity, fixed income, international equity, etc.), as well as the aggregate of all of the asset classes. The monthly analysis should include an analysis of returns, comparison to applicable indices and such other matters as the Board shall request. The quarterly performance analysis should include matters covered in the monthly analysis plus more detailed return attribution characteristics, style analysis, risk analysis, peer/universe comparison, trading efficiency and compliance violation reports.

12.6. ***Comprehensive Annual Report Financial Report (CAFR) Submission.*** By no later than the end of the first quarter of each calendar year, provide to the board reporting and analysis for the investment section of the MPAERS' CAFR. The consultant is required to complete the investment section reporting in its entirety in the format and following reporting requirements as defined by the GFOA (Government Financial Officers Association) to meet eligibility requirements for a Certificate of Achievement for Excellence in Financial Reporting submission. Please see <http://www.gfoa.org> for details.

12.7. ***Manager Oversight.***

12.7.1. For each of the fund's managers, provide quarterly performance analysis, including performance evaluation against the appropriate benchmarks and investment objectives, as well as return attribution characteristics, style analysis and risk analysis.

12.7.2. Provide analysis and advice on questions or issues that arise in the course of overseeing the managers. For example, advise the Board on appropriate benchmarks; calculate custom benchmarks, if necessary; and advise on investment guidelines or fee structures, including performance based fees.

12.7.3. Upon request of the Board, provide advice and recommendations concerning manager probation and termination.

12.7.4. Provide quarterly analysis of managers' trading costs, including comparison of each manager's commission costs to its peers and the marketplace; the relationship of each manager's commission costs to the quality of "execution" obtained; and the utilization of the System's commission dollars for purposes other than "execution," such as the direct or indirect purchase of services or research. A quarterly report containing commission costs paid by trade will be made available to the Consultant by the Board's custodian.

12.8. ***Manager Search and Selection.*** Provide analysis, and assist in the hiring of outside investment managers, including:

12.8.1. Provide access to a database of investment managers, including their philosophies, organizations, performance and clients. Manager information should be available for a wide range of investment managers including domestic, international and emerging market equity managers; domestic, international and global fixed income managers; as well as small and emerging and minority/woman/disabled veteran owned managers.

12.8.2. Conduct searches for managers as required, including but not limited to (i) development of requests for proposals, including evaluation factors and methods; (ii) screening of prospective managers and recommendation of finalists; (iii) preparation of background material for the Board or any search

committee formed by the Board; (iv) participation in the interviewing of managers; (v) provision of reasoned analysis concerning manager selection to the Board or any search committee formed by the Board; (vi) recommendations concerning selection of manager; (vii) preparation and maintenance of documentation of the process; and (viii) design and implementation of any other procedures required to comply with PERAC regulations with regard to a "competitive" process.

- 12.8.3. Perform appropriate due diligence with regard to newly hired managers.
- 12.9. ***Attendance at Board Quarterly Investment Review Meetings:*** The Consultant shall from time to time, but no less than quarterly, attend meetings (which, in the Board's sole discretion, may be by telephone conference) with the Board to discuss the System's Funds and the investment outlook. At such meetings, the Consultant will be expected to prepare the agenda for and advise the Chair with regard to the conduct of the investment review portion of the meeting. In addition to the quarterly investment review meetings, the Board may also request the consultant's attendance at other monthly retirement board meetings on an as needed basis.
- 12.10. ***General Research and Analysis.*** Upon request of the Board or staff, provide ongoing research, analysis and advice on specific investment issues. In addition, the Consultant will be asked to perform such other duties or activities as may be required provided they are consistent with the foregoing.
- 12.11. ***Staff and Trustee Education.*** The Consultant shall invite the Board Members and Board staff, in such numbers as are reasonable, to attend conferences, meetings, and seminars sponsored by the Consultant, including the Consultant's Annual Client Conference. The Board shall be responsible for travel and hotel expenses related to any such conference, meeting, or seminar sponsored by the Consultant and attended by Board Members and/or Board staff.

SCHEDULE B

FEES

The Consultant shall be entitled to receive from the Board as complete compensation for services rendered hereunder: (a) for the first year, , billed quarterly in arrears at per quarter; and (b) for each year thereafter, the prior year's fee adjusted to reflect the percentage change in the Consumer Price Index during the prior year, and paid in quarterly installments in arrears. The Consultant will not be paid or reimbursed for any expenses except to the extent permitted by the Board in writing, and it is expressly understood and agreed that the above fee includes unlimited travel expenses with regard to the services performed hereunder. In the event that the Consultant currently or at any time during the continuation of this Agreement performs similar services for other clients at a lower or more favorable fee schedule, the Consultant shall promptly notify the Board of such arrangement and offer to provide services hereunder on a going forward basis at such lower or more favorable fee schedule.

SCHEDULE C

C-1: Disclosure Statement

C-2: Vendor Representations and Warranties

C-3: PERAC Consultant Application

SCHEDULE D

NON-DISCRIMINATION

In accordance with policies adopted by the Massachusetts Port Authority Employees' Retirement System, the Consultant further agrees with respect to its performance of this Agreement as follows:

1. The Consultant shall not discriminate by segregation or otherwise against any person, employee or applicant for employment because of race, color, creed, national origin, age, sexual orientation, handicap or Vietnam era veteran status and shall undertake affirmative action measures designed to guarantee and effectuate equal employment opportunity for all persons.

2. The Consultant will provide all information and reports pertinent to the System's Equal Employment, Anti-Discrimination and Affirmative Action requirements requested by the System and will permit access to its facilities and any books, records, accounts or other sources of information which may be determined by the System to affect the Consultant's obligation herein.

3. The Consultant shall comply with all federal and state laws and regulations pertaining to Civil Rights and Equal Opportunity, including executive orders and rules and regulations of appropriate federal and state agencies unless otherwise exempt therein.

4. The Consultant's non-compliance with the provision of this Schedule shall constitute a material breach of this Agreement, for which the System may, in its discretion, upon failure to cure said breach within thirty (30) days of written notice thereof, terminate this Agreement upon ten (10) days written notice.

5. The Consultant shall indemnify and hold harmless the System from any claims and demands of third persons resulting from the Consultant's non-compliance with any of the provisions of this Schedule and in case of termination or cancellation of this Agreement pursuant to Paragraph 4, the Consultant shall be liable to the Board for any annual costs for obtaining similar services in excess of what the Consultant would have been paid for such year under this Agreement through the end of the Option Years.

SCHEDULE E

CERTIFICATE OF COMPLIANCE WITH LAWS

Massachusetts Employment Security Law

Pursuant to G.L.c.151A, §19A(b), the undersigned hereby certifies* under the penalties of perjury that Consultant with D.E.T. ID Number _____, has complied with all laws of the Commonwealth relating to unemployment compensation contributions and payments in lieu of contributions.

*Compliance may be certified if the Consultant has entered into and is complying with a repayment agreement satisfactory to the Commissioner, or if there is a pending adjudicatory proceeding or court action contesting the amount due pursuant to G.L.c.151A, §19A(c).

or check the following:

_____ *The undersigned certifies that the Massachusetts Employment Security Law, does not apply to it because the Consultant does not have any individuals performing services for it within the Commonwealth to the extent that it would be required to make any contributions or payments to the Commonwealth.*

Massachusetts Child Care Law

Pursuant to Chapter 521 of the Massachusetts Acts of 1990, as amended by Chapter 329 of the Massachusetts Acts of 1991 - the undersigned hereby certifies that the Consultant (please check applicable item):

1. _____ employs fewer than fifty (50) full-time employees; or
2. _____ offers either a dependent care assistance program or a cafeteria plan whose benefits include a dependent care assistance program; or
3. _____ offers child care tuition assistance, or on-site or near-site subsidized child care placements.

Revenue Enforcement and Protection Program

Pursuant to G.L.c.62C, §49A, the undersigned hereby certifies that (complete applicable item): the Consultant's tax payer identification No. is _____; Social Security No. is _____; or Federal Identification No. is _____ and that to the best of his/her knowledge and belief the Consultant has filed all state tax returns and paid all state taxes required by law.

or check the following:

_____ *The undersigned certifies that the Massachusetts Revenue Enforcement and Protection Program does not apply to it because the Consultant does not derive taxable income from Massachusetts Sources such that it is subject to taxation by the Commonwealth. The undersigned further certifies that the Consultant's tax payer identification no. is (complete applicable item):*

Social Security No. _____ *or*

Federal Identification No. _____

Certification Regarding Companies Doing Business with or in Burma (Myanmar)

_____ The undersigned certifies under the pains and penalties of perjury that the Consultant (a) is not a person or entity listed on the "Restricted Purchase List" maintained by the Commonwealth's Secretary of Administration and Finance as a person or entity currently doing business with Burma (Myanmar) or (b) is not a person or entity who meets the criteria for so being listed. The criteria for "doing business" in Burma are contained in Chapter 130 of the Acts of 1996 and include, without limitation, having any operations in Burma, providing any goods or services to the Government of Burma, promoting the importation of Burmese products. It is Consultant's responsibility to review Chapter 130 of the Acts of 1996 prior to certifying herein.

_____ The undersigned certifies under the pains and penalties of perjury that the Consultant (a) is an entity or person listed in the "Restricted Purchase List" as a person or entity who is currently doing business with Burma or (b) is a person or entity who meets the criteria for being included in the "Restricted Purchase List". Below is a brief description of the nature and extent to which the Consultant is engaging in activities with the Government of Burma or in Burma.

Signed this ____ day of _____, 19__.

Name of the Consultant: _____

Authorized Signature: _____

Title: _____

ATTACHMENT 4

INVESTMENT CONSULTANT

MINIMUM CRITERIA CERTIFICATION

The undersigned proposer hereby warrants and represents to the Massachusetts Port Authority Employees' Retirement System as follows:

- A. That it meets, or will meet before the award of the Contract, the bonding requirement provided by Section 412 of the Employment Retirement Income Security Act of 1974 (ERISA) or that it carries at least an equivalent fidelity bond that will be applicable to proposer's actions under that Contract (unless exempt, and explanation of exemption is attached).
- B. That it maintains an errors and omissions insurance policy providing a prudent amount of coverage for negligent acts or omissions and that such coverage will be applicable to proposer's actions under the Contract.
- C. That it will not delegate its fiduciary responsibilities assumed under the Contract.
- D. That it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents, or examinations required by a government or governmental authority for acts contemplated by the Contract.
- E. That it will agree to the provisions of the Contract which are set forth in Exhibit 4 to this RFP.
- F. That it is a registered investment advisor pursuant to the Investment Advisors Act of 1940 (15 U.S.C. 80b-1 *et seq.*).
- G. That it meets all of the minimum criteria applicable to the firm under this RFP as follows:
[Please describe how your firm meets the applicable minimum criteria.]

Name of Firm

Date

Signature

Title